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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Head Start: An Effective Program But The Fund Distribution Formula Needs Revision And Management Controls Need Improvement

COMPLETED
SUMMARY

Funding for enrollment and operating costs in Head Start, the program providing comprehensive services to economically disadvantaged preschool children and their families, has increased significantly since 1977.

However, the increased enrollments envisioned by the Congress and the congressional mandate to maintain high program quality have not been sustained nationwide. To cope with ongoing problems concerning these issues, the Congress should revise the method for distributing funds to assure that adequate increases are made available to grantees before enrollment expansion is authorized.

This report also discusses Head Start's partially completed system of management control which should be strengthened. Improvements are needed in planning, the management information system, program monitoring and Federal staffing, and administrative support.

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

HEAD START: AN EFFECTIVE PROGRAM BUT THE FUND DISTRIBUTION FORMULA NEEDS REVISION AND MANAGEMENT CONTROLS NEED IMPROVEMENT

D I G E S T

Since Head Start was established in 1965, it has progressed from a demonstration project to become the largest comprehensive preschool child development program in the United States. In fiscal year 1980, the program was providing services to about 373,000 children and their families located in all States, the District of Columbia, the Virgin Islands, American Samoa, Guam, and the Pacific Islands Trust Territory.

Studies performed early in the program's history, when about two-thirds of the total enrollment was in summer projects, tended to show that Head Start participants were not appreciably different, developmentally, from their non-Head Start peers once they reached elementary school. However, summer enrollment has declined to about 4 percent of the total enrollment while full-year projects predominate, and more recent studies show generally favorable results concerning the effectiveness of the Head Start program. Required services are being delivered to a high percentage of program participants, and good results are being achieved in all program components. (See p. 7.) However, grantees in some States have not received sufficient additional funding to offset rapidly escalating operating costs (see p. 16), and a trend of service reductions has developed. (See p. 31.) In addition, the system of management control is not yet adequate to serve the needs of the program. (See p. 42.)

PROBLEMS WITH ALLOCATING FUNDS AMONG STATES

The Congress established a mandatory formula in 1975 for allocating the Head Start annual appropriation to all States and territories, the Indian and Migrant Program Division, and the Office of the Secretary of the Department of Health and Human Services (HHS) for discretionary use. The formula was intended to gradually correct some imbalances in the distribution of Head Start funds among States--some with large

poverty populations were receiving less funding than other States with smaller poverty populations.

The 1975 formula was used to allocate funds to States in fiscal years 1976 and 1977, but congressional review of HHS' proposed allocation of the fiscal year 1978 appropriation disclosed that HHS may not have interpreted the legislative formula in accordance with congressional intent. (See pp. 20 to 22.) The 1978 Head Start reauthorization legislation also revised the 1975 allocation formula and provided additional instructions for computing State allotments.

The Head Start funding for fiscal year 1978 included an increase of $150 million over the fiscal year 1977 funding level. About 75 percent of the increase was for expansion of enrollment and the remainder was for increased operating costs. An additional $55 million was funded for fiscal year 1979, allowing some enrollment expansion to occur and operating cost adjustments to be given to grantees ranging from 4.04 to 8.3 percent. In fiscal year 1980, an additional $55 million was funded but HHS planned no enrollment expansions because all the new funds were needed by grantees to offset higher operating costs. The fiscal year 1981 funding of $820 million represents an increase of $85 million, or 11.6 percent above the funding level for fiscal year 1980.

GAO noted that the redistribution of increased Head Start funding in 1978, 1979, and 1980 has been done in accordance with the congressionally mandated formula and is resulting in a gradual shifting of funds among the States based on poverty populations. (See pp. 24 and 25.) However, many States have not received sufficient new funding to increase their Head Start enrollments in accordance with congressional intent. In addition, since the operating cost increases have not always been sufficient to offset the higher costs and maintain program quality, enrollment reductions occurred in fiscal years 1979 and 1980. As a result, the actual percent of eligible children served by Head Start in 1980 (19.5 percent) is about the same as the percent served before the major expansion in 1978 (18.9 percent). (See p. 28.)

RECOMMENDATIONS TO THE CONGRESS

GAO recommends that the Congress consider modifying the funding distribution formula to ensure that sufficient operating cost increases are provided to all States so that grantees can maintain their enrollment and service levels before any funds are provided for expansion of enrollments. The Congress should also consider placing a moratorium on further expansion of Head Start until such time that sufficient funding is made available to expand enrollment and to provide operating cost increases to all States. (See p. 30.)

REDUCTIONS IN SERVICES TO PROGRAM PARTICIPANTS

Head Start legislation requires that programs and projects be operated in accordance with its performance standards. These standards establish the functions, activities, and facilities required to meet the goals and objectives of the program. (See pp. 31 and 32.) However, GAO found that program quality is being threatened by a trend to reduce comprehensive services to children and families because of insufficient funding to maintain service levels while operating costs are escalating. These reductions include the weeks of classroom operation per year, the hours of operation per day, the numbers of paid positions, and many other cutbacks. (See pp. 32 to 37.)

Many grantees, however, are not finding it necessary to reduce services. This condition points to the need for the Administration on Children, Youth, and Families to gather and analyze grantees' costs of services. The Administration uses average Federal cost per child as the basis for assessing the performance of its grantees and when making project funding decisions. However, GAO found that the average Federal cost per child varies a great deal countrywide and believes that it is not an adequate basis for funding decisions. (See pp. 39 and 40.) Because full-year programs may operate as little as 480 hours or as much as 1,440 hours per year, a more accurate unit of cost for analysis purposes is the annual cost per child/per hour of contact.

RECOMMENDATIONS TO THE SECRETARY OF HHS

GAO recommends that the Secretary direct the Commissioner of the Administration on Children, Youth, and Families to:

--Gather and analyze data on the average cost per child and per child contact hour to assist its regional offices to make the most equitable distribution of Federal funds to grantees within their regions. (See p. 41.)

--Initiate an effort to gather information from grantees on reductions in Head Start services to children and their families to ascertain the extent of service reductions nationwide. (See p. 41.)

MANAGEMENT CONTROL SYSTEM PROBLEMS

A management control system helps to carry out all duties and responsibilities as efficiently and economically as possible. The more important elements of such a system are organization, policies, procedures, personnel, planning, accounting, reporting, and evaluation. Although the Administration on Children, Youth, and Families has taken some actions toward establishing a management control system, GAO found that they are not yet adequate to serve the needs of the Head Start program because:

--There is no formal overall long-range planning system. Some long-range planning was done in the past, and some planning for certain program components and administrative functions is now being done. (See p. 44 to 48.)

--Head Start has no computerized system for collecting current program and financial information about its grantees into a common data base which can be accessed by regional and headquarters management. Head Start could benefit in several ways from a well designed computerized information system. (See pp. 48 to 53.)

--Monitoring of grantees' performance is accomplished through three formal monitoring systems supplemented by less formal processes. Although

they are fundamentally sound, the formal monitoring systems are not working as well as they should and do not provide adequate information to determine whether grantees are operating in compliance with prescribed performance standards and Federal grant provisions. In addition, many grantees have not been in compliance with program requirements for long time periods. (See pp. 53 to 72.)

--Head Start staffing and funding for salaries and expenses have not kept pace with increases in program responsibilities since the early 1970s. (See pp. 73 to 81.)

RECOMMENDATIONS TO THE SECRETARY OF HHS

The Secretary should (1) direct the Commissioner of the Administration on Children, Youth, and Families to develop and implement an overall planning system for Head Start covering all program components and major functions and (2) assure that sufficient resources are available to operate the system. (See p. 48.)

The Secretary should also direct the Commissioner to:

--To develop and implement a management information system for Head Start. (See p. 53.)

--Take several actions needed to improve the three formal systems used in monitoring the performance of Head Start grantees and to bring grantees into compliance with program requirements. (See pp. 72 and 73.)

The Secretary should also direct the Assistant Secretary for Human Development Services to determine the staffing and other administrative requirements of the Head Start program, and if the Assistant Secretary finds that the Head Start program does not have the resources it needs, and if resources can be made available, GAO recommends that the Secretary furnish the staff and other resources necessary for the program to carry out its responsibilities. (See p. 82.)

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HHS was asked to comment on a draft of this report, but was unable to do so within the 30 days required by Public Law 96-226. Therefore, GAO published the report without official agency comments.

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ABBREVIATIONS

ACYF	Administration for Children, Youth, and Families
AFDC	Aid to Families with Dependent Children
CRS	Congressional Research Service
GAO	General Accounting Office
HHS	Department of Health and Human Services
IMPD	Indian and Migrant Programs Division
OCD	Office of Child Development
OEO	Office of Economic Opportunity
OHDS	Office of Human Development Services
OMB	Office of Management and Budget
SAVI	Self-Assessment/Validation Instrument